

TO: North Dakota Financial Institutions

**FROM: Eric Hardmeyer, President
Bob Humann, BND Senior Vice President of Lending Services**

DATE: August 11, 2009

RE: Bank of North Dakota Loan Policy Changes

During the last year BND has been working on a number of loan program changes and legislative changes to better meet the needs of North Dakota citizens and our lending partners. Following is a brief description of the changes that were approved by the North Dakota Industrial Commission on July 31, 2009:

Farm Loan Program Changes:

Beginning Farmer Real Estate and Chattel Loans

Borrower's net worth maximum	\$300,000 to \$500,000
Maximum Loan Amount	\$250,000 to \$400,000

Real Estate Program Only – Applicant may not have owned any farmland greater than 30% of the “average” farm size in the county the parcel is located. Change was made from “median” to “average” farm size to accommodate for the changes to the 2007 agricultural census.

Family Farm Loan Program

Borrower's net worth maximum	\$300,000 to \$500,000
Maximum Loan Amount	\$250,000 to \$400,000
Loan term on equipment loans	5 years to 7 years
Loan to value on chattels	70% to 75%

Farm Operating Loan Program

Borrower's net worth maximum	\$300,000 to \$500,000
Maximum Loan Amount	\$250,000 to \$400,000

Livestock Loan Guarantee Program

Loan program was allowed to sunset on June 30, 2009 due to minimal usage. Current BND programs utilized for livestock retention are Beginning Farmer Chattel, Ag PACE and Biofuels PACE.

Commercial Loan Programs Changes:

PACE Loan Program

Eligibility under “Qualified Businesses” to include Early Childhood Facilities (sunsets 7-31-2011).

PACE Buydown Funds Maximum	\$250,000 to \$300,000
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Biofuels PACE Loan Program

Language was included to add "Biodigester Systems" to eligible use of funds for Livestock Operations that feed byproducts of a biofuels production facility.

Biofuels Retailers and Grain Handling Facilities are no longer included as eligible uses per the legislative sunset of July 31, 2009.

Other Programs

First Time Farmer Finance Program

Borrower's net worth maximum	\$200,000 to \$500,000
Maximum Bond Amount	\$250,000 to \$469,200

The IRS code of 1986 amendment establishes the bond maximum to be indexed to an inflation index and will adjust annually on January 1st of each year. This amount will be available on BND's website each year.

New Venture Capital Program

The sunset date of July 31, 2009 has been removed to make the program permanent.

Closing Comments

As a reminder, BND has changed Ag PACE to allow for new loans to those farmers and ranchers that suffered extraordinary losses directly as a result of the weather-related events from the winter and spring of 2009. BND has also extended the Farm Disaster Relief Loan Program for restructuring and refinancing of farm debt with low cost rates for those farmers and ranchers that provide evidence of a financial loss as a result of the weather-related events from the winter and spring of 2009. Both of these temporary programs will be available for applications received by December 31, 2009.

BND will be looking hard at all of our programs and considering what new initiatives we can play a part in. We appreciate the input received in the past from your organizations and appreciate any suggestions or recommendations you might have. We appreciate your business and the opportunity to work with you to meet your borrower's needs.

The policy changes discussed above are effective as of July 31, 2009. If you have any questions, please contact Bob Humann at 1-800-472-2166 ext 5703 or Tom Redmann at 1-800-472-2166 extension 5671. We also welcome your email at bhumann@nd.gov or trredmann@nd.gov.

We appreciate your efforts and the opportunity to do business with you.